

124  
BANKING AND CURRENCY.

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SPEECH

OF

HON. CLINTON L. MERRIAM,

OF

NEW YORK,

IN THE

HOUSE OF REPRESENTATIVES,

MARCH 27, 1874.



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# SPEECH

OF

## HON. CLINTON L. MERRIAM.

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The House having under consideration the bill (H. R. No. 1572) entitled "An act to amend the several acts providing a national currency and to establish free banking, and for other purposes"—

Mr. MERRIAM said:

Mr. SPEAKER, when Congress assembled, nearly four months ago, our country was agitated with a new experience. Never before had a panic fallen upon a people banking upon and making all its exchanges with paper money. Our industries had been in the fullness of prosperity; the earth had yielded prodigally of its bounties; our granaries were full to overflowing, and from short crops in other countries prosperous nations stood ready purchasers at high prices. The farmer, the merchant, the banker, the manufacturer, the laborer, were busy in their respective occupations. In a moment, without warning to the common observer, the crash of distrust fell upon us, suspending or crippling all our illimitable industries. A nation used to and *willing* to labor, stood without employment, *paralyzed* with that vague and indescribable dread that fills men's minds when overtaken with fright.

When Congress assembled the people everywhere looked to us for immediate relief.

The problem to be solved was one of no ordinary responsibility.

You, Mr. Speaker, placed upon the committee, specially assigned to this duty Representatives from different sections of our country, and of diverse financial views.

It is but just to the committee to say that with one accord they devoted themselves laboriously to the subject with a full appreciation of their responsibility; but without *pressing* unduly their own pet schemes. That we might the better apply the spirit of a representative government, we invited to our counsels eminent financial thinkers, eminent bankers and business men, from various sections of our country. With great patience and impartiality we have endeavored to weigh their diverse views and interests, seeking only a result for the common good of our country.

With these aims, and with these gathered experiences, added to the years of practical experience the committee themselves have had, we have been able to present a bill for the consideration of this House, the main features of which, I trust, will commend themselves to the approval of this body. It will be no surprise to this House nor to the country to be told that the committee were not unanimous upon all its sections. As God has made no two human faces alike, neither has He created two minds alike. In those great fields of religion, politics, and finance, the views of men seldom harmonize, but rather seem to delight in asserting a self-individuality of opinionated stubbornness.

## PERSONAL ALLUSIONS.

I may be pardoned for alluding to a subject somewhat personal, in consideration of a statement having been made on this floor, that "the bank interests of members of this House would prevent impartial legislation," and the still more remarkable statement of the gentleman from Kentucky, [Mr. BECK,] found in the RECORD of March 8, which reads:

I have no doubt a majority of the Senate, and a large minority in the House, are *personally* interested in the passage of laws inimical to the interests of the masses.

And the further insinuation of a New York financial paper, (when attempting to account for our delay in legislation when the accumulating capital of the country stands idle and unwanted by enterprise, until some financial *policy* is determined upon by Congress)—

That Congressmen dabble in stocks, creating an influence one day for expansion, and another day for contraction, for their own advantage in speculation.

As a general belief in the truth of these insinuations would lower the dignity of legislation and tend to demoralize and weaken the confidence of our people, I feel it due to the Committee on Banking and Currency to state that nine of its eleven members have no *personal* interest whatever in national banks, and so far as I know, *no member* has bought or sold a share of stock within ten years, and in answer to inquiries from all sections of the country as to what the probable action of Congress would be on the subject of finances, my invariable reply has been that "it was one of those things no person could find out" *in advance of our final action*. While all men will agree that no dishonor attaches to legitimate accumulations, to the extent men are willing to assume its burdens and cares, yet if any representative of a free people, honored to guard and make his country's laws, should use this sacred position of trust to make money, he commits a hated crime, and should be characterized by honorable men as a *national pickpocket*, and be doomed to ignominy and perpetual exile in the penitentiary; but I am inclined to believe, in the absence of evidence of guilt, that all such insinuations are baseless as slander.

Mr. Speaker, all civilized men are, from the very nature of existence, students by experience in the economies of self-support. They are hourly *practicing* the laws of economical philosophy without instruction from theoretic teachers of the science.

Men everywhere are stimulated to labor and the accumulation of property and money for the independence they know it will purchase. They hold it as a symbol of their past industry, knowing that with it man carries about with him an evidence that he has been a participant in those activities of civilization, busy and breathless as the moments. The farther behind we leave the primitive ages, when men used the rude materials of wampum-beads and shells as money, the more universal is the desire to find the most convenient and reliable money to act as their *servant* for exchanges. It is no strange instinct in the breast of mankind; it is the instinct of self-protection; for money, like the air we breathe, is man's companion from the cradle to the grave.

## UNIVERSAL INTEREST IN THE SUBJECT.

The universal interest in the action of this Congress, when dealing with the subject of banking and currency, is evidence that the people realize that every vote we cast will touch *directly* the personal interest of every one of our forty millions of people. It is to the magnitude and *importance* of the subject we trace the innumerable volunteer

essays on finance thrust upon us from early morn to dewy eve by those financial tinkers *more* fortunate than all the rest in solving the mysteries of this branch of political economy. It is also to the magnitude and importance of the subject we trace the taxed ingenuity of legislators in framing measures of relief to lift the nation from its financial perplexity. We find, printed, and in embryo, bills for the gradual, and bills for the immediate, resumption of specie payments, bills for the immediate and bills for gradual funding of legal-tender notes, bills for the recall of national-bank notes and their substitution by legal-tender notes, bills for the conversion of *both* to par by their acceptance for customs dues, bills for the abolition of bank-notes and the interchangeability of legal-tenders into three sixty-five United States bonds, bills authorizing the Treasury to sell two hundred millions Government bonds in foreign markets for gold to supplant our paper currency. Now, Mr. Speaker, it must be evident to the ordinary human intellect that no financial alchemist can transmute this medley of contradictions to a garden of financial roses.

#### THE PEOPLE AVERSE TO FINANCIAL EXPERIMENTS.

The American people are eminently practical; they are averse to new and untried experiments. Their interests are too vast and too *sacred* to be launched into unknown and uncertain seas. We are working out on this continent the highest problem of civilization. God has furnished in generous prodigality all the material elements. From this, the final earth-rest in the march of empire westward, we are to gather up for our own happiness a new and broader civilization, and by example throw it back to revivify the exhausted elements of life to the furthestmost nations of the East. Comprehending our mission, our people are *jealous* of experiments that may prove a delusion and a snare.

#### WAR IMPOVERISHES A NATION.

That stupendous war of Slavery against Freedom, that greatest battle of ideas of all the ages, settling *forever* man's right to his own labor in the triumph of democracy over aristocracy, buried in blood four years of toil and a million stalwart producers, temporarily impoverishing the nation, as all great wars have hitherto impoverished other nations; and, turning the balance of trade against us, it took away our gold. The financial results of great wars are much the same as when idleness and luxury of an entire nation mortgage it to those whose labors supply the luxuries idleness consumes. All modern wars produce this result. Some Americans profess humiliation at our long specie suspension, forgetting that the proudest and richest of nations from 1797 to 1824, a period of thirty years, stood as we stand to-day.

#### WAR NECESSITATES A NEW SYSTEM OF BANKING AND CURRENCY.

Absence of gold necessitated the creation of a more extended paper currency. Fortunately for the welfare of our country the inventive genius of those able financiers who managed the nation's Treasury through the war invented a system of banking, and adapted to it a currency which may truly be called one of the richest legacies of the war; for by it the people obtained a medium of exchanges so guarded for safety, that it grew at once into the entire confidence of *all* our people—a currency so in harmony with American character, that the long-sought desire for a nationalized paper currency was attained. Through it, under a restored Union, energy, industry, and genius, stimulated as if by inspiration, has doubled our wealth and activity in a single decade.



## THE SYSTEM A SUCCESS.

It is something more than a sentiment when the humblest citizen of the Republic carries in his pocket a currency bearing the impress of nationality that is at par everywhere within our borders, and whose purchasing power is unaffected by mismanagement of bank officers whose issue it is. A bank may fail, but the currency is good all the same; it may *well* be called the "people's money;" but, with all the advantages of our national banking system, the time has arrived when the country demands that it be perfected and enlarged to the necessities of our growth. It was created ten years ago, and ten years in our lives is more than the life of any one generation gone before. The experiences of last fall have taught us its defects. *These* our bill has sought to remedy.

## EVIDENCES THAT WE NEED MORE CURRENCY.

The near approach to a panic two years ago gave evidence that the increase of our population and business required more currency. We saw it in the fact that the locking up of only ten millions of our seven hundred millions of currency by unprincipled speculators created a stringency in many centers that distressed the entire commercial community. It was for this reason that I introduced into Congress, two years ago, a bill to suspend the cancellation of the 3 per cent. certificates, which served in our system of reserves the purpose of currency; but Congress was not *then* educated as *now*, by the panic, to the dangers of contraction. Apprehending the danger of too little currency to perform the legitimate exchanges of a rapidly enlarged necessity, I last year pressed free banking, but Congress was not educated then, as now, to its necessity. The panic came and brought losses untold to our people. In this bill we remove all restrictions of limit to circulation, and call it free banking; *i. e.*, freedom for all to enter the banking business who pledge United States bonds as security for circulation and comply with all the requirements of the national banking law. Through this we overcome the objection to our present system, that "we have outgrown our currency." It has been the almost unanimous expression of those who have appeared before our committee that at certain periods of the year our currency was inadequate to perform our necessary exchanges. The associated banks of New York, and at the other financial centers, expressed it in the necessity of pooling their assets and issuing certificates, in New York alone to the amount of \$23,200,000 during the panic, which, though bearing interest and within authority of law, was, in reality, as so much additional currency. I do not allude to it complainingly, because it was a necessity of the hour; and the able managers of the New York clearing-house, who first inaugurated this measure successfully in 1857, and adopted it again in September last, by it checked and destroyed the panic, and hence are deserving of public gratitude. When war drove away our silver currency, cities, towns, individuals and corporations issued fractional promises to pay "shin-plasters;" they were an indispensable necessity of trade. When Government issued its fractional currency then local issues disappeared, but under contraction from increase of population and wealth, we find that in those sections of our country where banks are few, "shin-plasters" again predominate. General Spinner who has just visited the South, says, "The South is plastered all over with shin-plasters." It is proposed to introduce a bill to make these issues a penal offense, but without free banking and capital accumulation through it, I fear an attempt to deprive the people of the means of small exchanges would create a

revolution. Our present experience in these local issues reflects the baneful influences of any policy depriving our entire people of ample currency. I hope the day is not far distant when silver will be used everywhere for our small exchanges.

Those earnest appeals of the leading bankers and merchants of New York to the President and Secretary of the Treasury during the panic for more currency were also significant. That eminent and practical merchant, Mr. A. A. Low, of Brooklyn, New York, engaged in the China trade for more than thirty years, and whose personal interests would naturally lead him to advocate specie resumption, said, in his most interesting remarks before our committee:

Our currency meets all the requirements of the merchant and manufacturer, and I do not know what more is wanted. During all our panic no man had apprehension of the safety of national-bank notes or legal-tender. I would be in favor of free banking under certain restrictions. *I think it is manifest that there has been too little rather than too much currency.* Everybody carries more or less in his pocket, and in some portions of the country it is hoarded. With the growth of the country more currency will be needed. I am in favor of more currency, but it should be redeemable, if not in gold, *certainly* in legal-tenders. Why there should be any restrictions in this country, under proper safeguards, I do not understand. The national-bank notes are based on gold bonds, and the liabilities of stockholders added thereto *give them absolute security.*

And he might have added that, although the national-bank notes are not based directly upon gold, their basis (United States bonds) commands gold *ad par* (10 per cent. above the pledge for circulation) in the markets of the world.

We have evidence from other eminent merchants in New York, men pursuing large and legitimate business, who also tell us "that it is manifest that there has been too little rather than too much currency."

#### ARGUMENTS AND APPEALS FOR MORE CURRENCY.

I append a letter from a careful thinker and writer on finance, whose views are in accord with my own observations. He says:

I pray you, glance at the table below. Once a year, generally in the dog-days, the reserve of the city banks is swelled to its maximum by the flow of idle country money to its center; and once a year, sometimes in October, when the western crops are being "moved," sometimes in December, when the cotton crop requires money, and sometimes in April, when the spring settlements and the opening of navigation call for currency, that reserve falls to its minimum. The following table gives in round millions the maximum and minimum of the reserve for each of the past eight years, the period during which our currency system has been fairly on trial:

*Statement showing the maximum and minimum of the reserve from 1866 to 1873.*

Date.	Maximum.	Date.	Minimum.
1866, September 1.....	\$92, 000, 000	March 3 .....	\$58, 000, 000
1867, August 10.....	76, 000, 000	November 23 .....	57, 000, 000
1868, August 8.....	74, 000, 000	December 26 .....	48, 000, 000
1869, May 29.....	58, 000, 000	December 24.....	44, 000, 000
1870, June 4.....	61, 000, 000	December 31.....	45, 000, 000
1871, August 9.....	73, 000, 000	December 30.....	40, 000, 000
1872, June 15.....	55, 000, 000	April 13 .....	36, 000, 000
1873, August 2.....	50, 000, 000	October — .....	5, 000, 000

You perceive that in these eight years the maximum reserve had fallen from ninety-two to fifty millions, and the minimum from fifty-eight to five millions. The minimum of 1866 was eight millions in excess of the maximum of 1873. In other words, the amount of money drawn from bank and hoarded by individuals had increased steadily year by year until, in 1873, the reserve was exhausted.

The effect of the gradual withdrawal of money from the banks to individual hoards was faithfully reflected by the money market. In December, 1871, when the reserve

first fell to fifty millions, money became worth from 90 to 100 per cent. per annum—a rate which no legitimate business could pay and live. In the following autumn the reserves fell to forty-one millions in October, and to thirty-six millions in the subsequent April; and in consequence there never was a day during these seven months when money was not worth over 7 per cent., and there were weeks together when it commanded from 25 to 50 per cent., rates which no merchant can pay without ruin. This winter the rate of interest would have been even higher, but that, on the 20th of September, 1873, the reserve fell to the unprecedented figure of \$31,000,000; and this, occurring at a period when conspicuous failures had created a general distrust, led naturally to a general run on the banks. On the 20th of September the banks lost twelve millions out of their slender reserve, and though they nominally suspended payments on the next business day, they lost during the three weeks following fourteen millions more—reducing their greenback reserve, about the middle of October, to the pitiful sum of about \$5,000,000. At this period there was no money market. It was simply impossible to sell paper or borrow on call. The crash was the result.

If, as I believe, these are the facts of the case, it follows—

First. That the panic and the bank suspension were due to the steadily increasing amount of money withdrawn from bank—where it was used in facilitating commercial exchanges—to individual hoards, where it lay dead.

Secondly. That the amount of money liable to be so withdrawn increases in the ratio of the development of the country, and the acquisition of wealth by persons residing far from the great cities, and indisposed—from want of financial knowledge—to trust their money out of their own possession.

And from these two the corollary would seem to follow that a general panic and bank suspension must occur hereafter at least once a year, unless—

1. The individuals who have been for the past eight years withdrawing money from the banks and hoarding it can be so educated as to abandon the practice hereafter; or,

2. They be deprived of the means of withdrawing money from the bank by a general crop failure; or,

3. The volume of the currency be periodically increased so as to fill the vacuum created by rural hoarding.

How long it would take to so far educate the thousands of Germans, Norwegians, &c., who grow wheat and corn in the Northwest, and the thousands of negroes, mulattoes, and ignorant whites, who raise cotton in the South, in the laws of political economy, that they should understand the grave injury they inflict on the community at large when they hoard the money they receive for their produce, you can judge better than I. If it cannot be done, and at once, and the crops do not fail, perhaps you will point out how an annual panic can be averted without an increase of the currency in some shape or other.

The following memorial was read in the Senate March 17 by Senator LOGAN, “signed,” he says, “by two hundred business men in New York”—I presume all borrowers and not lenders of money, as the memorial came unheralded by that high-sounding authority of “\$460,000,000 representation.”

*To the honorable the Senate and House of Representatives in Congress assembled :*

Your petitioners beg leave respectfully to represent that they are greatly alarmed at the efforts being made by money-lenders to induce your honorable body to put a stop to the further issue of legal-tenders by the Secretary of the Treasury, and to compel him to increase the bonded indebtedness of the Government, in order to cancel and destroy the too limited and only currency on which the whole people draw interest; thus increasing taxation for the benefit of the foreign bondholder, while reducing the means and ability to pay.

The rapid and immense increase of the industry, resources, and wealth of the country, under the beneficent influence of this safe currency, in which all have confidence and interest, demands its increase rather than destruction. The experience of the last few years, especially in the fall, when the agricultural products of the year must be marketed, has demonstrated that there is insufficient currency to do the legitimate business of the country. Hence there has been increasing stringency in the market, causing great distress and alarm, by which money-lenders have been able to profit for weeks and months, to the extent of  $\frac{1}{3}$  to  $\frac{1}{2}$  of one per cent. per day, and in extreme cases even as high as 2 per cent. per day, or from 45 to 700 per cent. per annum, and this in the money-center of the continent. This has enabled a few men at such times, by locking up money, to aggravate the difficulty, and thus command their own terms, not a few of whom are now asking your honorable body to contract the currency that they may more effectually ply their infamous traffic.

These causes produced the late disastrous and ruinous panic, which will undoubtedly be reproduced with still more prostrating effects unless relief be afforded.



Your petitioners therefore respectfully ask that the volume of the currency be increased, especially the legal-tenders, and that provision of elasticity be made, so that business may again be safely resumed.

Mr. Ward, of Michigan, who for years has done so much to develop the great West, and who for many years has given employment to thousands in lumbering, mining, and manufacturing, said to our committee that the rates of money, and the difficulty of procuring it, upon the very best of security, had constantly increased since our policy of contraction began, until within the last two years the business of the West was crippled and almost paralyzed. He adds:

It is not probable that many members of Congress can fully appreciate the sad and desolate condition of most of our manufacturing communities, and no one can, unless he is placed in a position to realize from his own experience the difficulties that surround the managers of these great and beneficent establishments, many of them with thousands of able-bodied men, with their dependent families, and the managers utterly unable to procure the means for their monthly pay; and if they could possibly run their mills or factories for a time, the country is so depressed that there is no safe market for their products. Put yourselves in their place, and remember these are the men who are to protect and perpetuate this Government, and that their children are to be the future voters as well as workers of this nation. Treat them as human beings; give them work and pay; and they will bear with patience all the other ills of life, and bless the land that gives them liberty and plenty. Starve and degrade them, and the curses of broken faith and base ingratitude will haunt the authors of their wrongs to their everlasting homes.

The urgency with which I make this appeal is prompted by the fact that nearly four thousand idle men, and ten thousand of their dependents, to a great extent rely upon my simple efforts to supply the necessary means to pay for the maintenance and labor necessary for their support.

The testimony of all men from the South and West was of like import, except those representatives of trade unions, who confessed that they were "middle-men," brokers between the producer and the foreign consumer, making all their settlements in gold, they occasionally lose and occasionally make money in the fluctuations of the gold market. Hence they and the importers have argued for resumption. Selfishness dictating the argument. In the height of the panic I was in New York, and the metallic-currency bankers thought *then* was the opportune moment for resumption. They seemed to have forgotten that they had been banking upon a basis of \$356,000,000, *equal* in all its relations to business and finance *to* gold, because they could with it pay their debts; and yet at a moment when they were nominally broken, as if to show that bullionists are always wiser and more *solid* in argument than other men, they proposed to accept as a panacea for all their woes a basis of \$135,000,000,\* in place of \$356,000,000, for all their banking operations, because it *was* gold. This was reversing the rule of three, and could work successfully in no other place in this world outside of Wall street; and to add to the impressiveness of the metallic argument, we were told that our "depreciated," "irredeemable," "dishonored" paper currency was the cause of overtrading and the wild speculations resulting disastrously in a financial crisis. They forgot that they themselves, by paying interest on deposits and by the natural laws of trade, held centralized within their own vaults, (and as positively within the control of the bank officers of New York as if they owned it,) all those vast millions, *which if they did not loan there could be no* "wild speculation" resulting in financial crises.

Calm men outside that sea of speculation will naturally ask, what guarantee has the country that when we reach specie resumption they will not, all the same, lend this centralized money, and with it will all

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\*\$135,000,000 estimated gold now in the United States.

the same bring about those "wild speculations" resulting in financial crises, as in 1857, when it came upon a gold basis?

But there is a class of American citizens who did not come before the Banking and Currency Committee, that vast army of hard-fisted, large-hearted laborers of our country, who are the real sufferers from contraction—I will further along consult that tell-tale of a nation's realities, the census report, and let it speak for them—every one of whom finds use for and handles more currency in a year than any one of those memorialists "representing \$460,000,000," whose petition for resumption my colleague from New York [Mr. POTTER] presented with so much modesty a few days since. Merchants, importers, and bankers, in large cities, settle every transaction with bank-checks, even the payment of market-bills, pew-rent, carriage-hire, and clothing. I have myself transacted many millions of business in a single year, and never saw in twelve months as much actual currency as a farmer in my country finds it necessary to use in the same time. Men transacting business with foreign countries memorialize for resumption because the law of selfishness dictates it.

#### FORCED RESUMPTION.

But resumption with the balance of trade so much against us as it is now is an impossibility, *unless all experience and history are false*. We might resume for a day or a week, but we should fail in every attempt, as England failed, in repeated disaster, when forcing resumption over the unchangeable laws of trade.

We find in the North British Daily Mail opinions of our currency system expressed by Hon. George Anderson, a member of Parliament. It reads:

If America attempt to resume specie payments we may rely upon seeing within a few years as complete a break-down as followed our own adoption of that policy after 1819 up to 1825. If America is rich enough to adopt such a policy now without most serious difficulty, one thing is quite clear, there can have been no good ground for a financial crisis. To take a severe financial crisis as the fittest opportunity for resuming specie payments looks like insanity. It may, however, have another interpretation. The crisis may be solely the artificial result of an international scarcening of the currency in order to bring it equal with gold with a view to resume. Currency reformers on this side would view such retrogression with regret. America in her currency had made such a forward stride that it might have been expected she would have found out the real error in her system, and perfected it, instead of going back. That one error is its being rigidly inelastic.

We might legislate immediate resumption, but the result—*inevitable*—of another panic would make the experiment too expensive a luxury even for the metallic-currency mind.

Pennsylvania banks suspended September 10, 1839. The Pennsylvania Legislature, by law of April 3, 1840, required the Pennsylvania banks to resume on the 1st day of January, 1841, under penalty of forfeiture of charter. The banks resumed, but suspended again February 6, 1841. Commercial requirements overrode legislative commands. From 1817 to 1824 three attempts were made at resumption by the Bank of England, and three failures ensued with wide-spread bankruptcy attending each.

It is my solemn judgment, determined after years of study of the attempts of legislation by nations and States to override the unchangeable laws of trade, that we might as reasonably look for the millennium of man's honesty through congressional enactment "that all men *should* be honest," as to, by statutory enactment, resume specie payment successfully and permanently before the conditions of trade should prepare the way. We can legislate in that *direction*, and this we propose to do, because without it we stand in unnatural



*Statistics of the value of the foreign trade of the United States (gold values) from 1821 to 1872.*

Period of time.	IMPORTS.			EXPORTS.							
	Merchandise.	Coin and bullion.	Total.	Domestic.			Foreign.			Merchandise.	Coin and bullion.
				Merchandise.	Coin and bullion.	Total.	Merchandise.	Coin and bullion.	Total.		
Dec. 31, 1821, to Dec. 31, 1830.....	\$729,489,650	\$69,143,780	\$798,633,430	\$532,212,385	\$3,892,533	\$536,104,918	\$161,997,911	\$67,645,923	\$229,643,834	\$694,210,296	\$71,000,000
Annual average.....	72,948,965	6,914,378	79,863,343	53,221,239	389,253	53,610,492	16,199,791	6,764,592	22,964,383	69,421,030	7,100,000
Dec. 31, 1831, to Sept. 30, 1840.....	1,195,206,786	107,469,296	1,302,676,082	881,677,922	11,211,987	892,889,909	153,824,088	45,627,906	199,451,994	1,035,502,010	50,000,000
Annual average.....	122,585,311	11,022,492	133,607,803	90,428,505	1,149,945	91,578,452	15,776,830	4,679,785	20,456,615	106,205,535	5,000,000
Sept. 30, 1841, to June 30, 1850.....	1,180,947,790	86,835,992	1,267,783,782	1,120,215,845	11,242,956	1,131,458,801	75,333,512	53,767,965	129,101,477	1,195,549,357	65,000,000
Annual average.....	121,112,849	8,906,256	130,019,105	114,893,933	1,153,123	116,047,056	7,726,514	5,514,663	13,241,177	122,620,447	6,500,000
June 30, 1851, to June 30, 1860.....	2,848,001,318	71,187,934	2,919,189,252	2,321,487,128	432,158,973	2,753,646,101	164,858,538	62,952,840	227,811,378	2,486,345,666	495,000,000
Annual average.....	284,800,132	7,118,793	291,918,925	232,148,713	43,215,897	275,364,610	16,485,854	6,295,284	22,781,138	248,634,567	49,500,000
June 30, 1860, to June 30, 1870.....	3,318,672,294	188,450,442	3,507,122,736	2,376,053,356	584,095,082	2,960,148,438	153,794,297	75,770,601	229,564,898	2,529,847,653	659,000,000
Annual average.....	331,867,229	18,845,044	350,712,273	237,605,336	58,409,508	296,014,844	15,379,430	7,577,060	22,956,490	252,984,766	65,900,000
1860-'61.....	289,310,542	46,339,611	335,650,153	204,899,616	23,799,870	228,699,486	14,654,217	5,991,210	20,645,427	219,533,833	29,000,000
1861-'62.....	189,356,681	16,415,052	205,771,733	169,923,415	31,044,651	200,968,066	11,026,477	5,842,989	16,869,466	180,949,892	36,000,000
1862-'63.....	243,335,815	9,584,105	252,919,920	184,097,194	55,993,562	240,090,756	17,960,535	8,163,049	26,123,584	202,057,729	64,000,000
1863-'64.....	316,447,283	13,115,612	329,562,895	143,758,253	100,473,562	243,931,815	15,333,961	4,922,979	20,256,940	158,792,214	105,000,000
1864-'65.....	238,745,580	9,810,072	248,555,652	135,892,699	64,618,124	200,510,823	29,089,055	3,025,102	32,114,157	164,981,754	67,000,000
1865-'66.....	434,812,066	10,700,092	445,512,158	334,729,149	82,643,374	417,372,523	11,341,420	3,400,697	14,442,117	346,070,569	86,000,000
1866-'67.....	395,763,100	22,070,475	417,833,575	282,143,193	54,976,196	337,119,389	14,719,332	5,892,176	20,611,508	296,862,525	60,000,000
1867-'68.....	357,436,440	14,188,368	371,624,808	269,135,723	83,745,975	352,881,698	12,563,005	10,038,121	22,601,126	281,698,728	93,000,000
1868-'69.....	417,506,379	19,807,876	437,314,255	275,122,658	42,915,966	318,038,624	10,951,000	14,222,414	25,173,414	286,073,658	57,000,000
1869-'70.....	435,958,408	26,419,179	462,377,587	376,651,456	43,883,892	420,535,258	16,155,295	14,271,864	30,427,159	392,806,751	58,000,000
1860 to 1870.....	3,318,672,294	188,450,442	3,507,122,736	2,376,053,356	584,095,082	2,960,148,438	153,794,297	75,770,601	229,564,898	2,529,847,653	659,000,000
1870-'71.....	520,223,684	21,270,024	541,493,708	728,359,011	84,405,256	812,864,267	14,421,270	14,038,629	28,459,899	442,480,281	98,000,000
1871-'72.....	626,595,077	13,743,689	640,338,766	428,623,447	72,798,240	501,421,687	15,690,455	7,079,749	22,769,749	444,313,902	79,000,000
1872-'73.....	642,030,539	21,480,937	663,511,476	505,033,439	73,905,546	578,938,985	17,445,453	10,703,028	28,148,481	522,478,892	84,000,000

*\* Estimated population of the United States.*

Years.	Population.	Years.	Population.	Years.	Population.	Years.	Population.
1820.....	9,633,822	1830.....	12,866,020	1840.....	17,069,453	1850.....	23,191,876
1830.....	12,866,020	1840.....	17,069,453	1850.....	23,191,876	1860.....	31,449,842
Total.....	22,499,842	Total.....	29,935,473	Total.....	40,261,329	Total.....	54,639,718
Average, 1820-'30.....	11,249,921	Average 1830-'40.....	14,967,736	Average 1840-'50.....	20,130,664	Average 1850-'60.....	27,316,559

In estimating the population for the decade from 1860 to 1870, an equal distribution of increase has been assumed, while for the war years (1862 to 1865 inclusive) about three-fourths of the consumption. This gives 1861, 32,154,836; 1862, 32,866,331, (24,649,749;) 1863, 33,577,836, (25,183,377;) 1864, 34,289,341, (25,717,005;) 1865, 35,000,846, (26,250,635;) 1866, 35,712,351, (26,782,320;)



relations to the trade of the world, which recognizes gold as the representative of values between nations.

#### IMPORTS AND EXPORTS OF GOLD.

I append a table, prepared by Mr. Young, of the Bureau of Statistics, full of interest to the student of our economies. It shows our imports and exports from 1821 to the present time, including coin and bullion. This, however, gives no exhibit of the Government, State, and municipal bonds sent abroad during the past ten years, representing \$1,500,000,000, upon which we pay gold interest amounting to \$100,000,000 per annum. It will be evident to reflecting minds analyzing this table that our loss of gold arises from our too prodigal importations. This table tells of our excess of importations over exports, from 1831 to 1840, of \$210,334,149; from 1841 to 1850, \$7,223,504; from 1850 to 1860, \$37,731,773; from 1860 to 1870, \$317,409,390—an excess of imports in forty years amounting to \$572,698,816; and that our exports of gold and merchandise for 1871, 1872, and 1873 exceeded our imports \$172,740,883. Our imports of gold, from 1850 to 1873 amounted to \$316,132,996, and our export of *foreign* coin and bullion for the same time amounted to \$160,543,847. We exported of domestic coin and bullion, from 1850 to 1873, \$1,247,360,067. We have taken from our mines of gold and silver, since 1850, \$60,000,000 per annum, but it is estimated that our people resident in Europe and traveling in foreign lands spend thereabout the same amount annually that we take from our mines. (See tabular statement on opposite page.)

The genius and energy of our countrymen in inventions and manufactures are now competing successfully in many of the markets of the world; but we cannot reasonably expect to overcome the balance of trade if we cripple these industries through contraction. If we import more than we export, we must pay the balance in something; if not in our products, then it must be in gold, or in our Government, State, and municipal bonds. Let us not by a mistaken financial policy prolong the desired result of resumption, but rather by a liberal and safe policy restore it.

#### FREE BANKING.

The spirit of our institutions is antagonistic to monopolies; the spirit of liberality is antagonistic to special corporate advantages; hence the almost universal demand for free banking. This, too, is the spirit of trade throughout the world.

When the joint-stock banks of England discovered a clause in the law whereby they could issue currency, the managers of the Bank of England, who had so long enjoyed the monopoly of circulation, applied to Parliament for more restrictive legislation to prevent the issues from joint-stock banks but a majority of Parliament, more than thirty years ago, said to the Bank of England, "The day of monopolies is past." If there are men in this House who from their interest in national banks would hesitate to aid us in removing the monopoly, I say to them in all kindness, that the spirit of freedom abroad in our land will not long tolerate any system whereby a portion of our people are deprived of its advantages; and their persistence in sustaining the monopoly will at no distant day cause the people to sweep this best of all banking systems from off our statute-books.

#### ELASTICITY.

One of the chief merits of gold as a medium of exchanges between nations is its quality of elasticity. If we were banking upon a gold basis, and needed more currency to move the crops, it would flow in from other countries, because we could afford to pay for it by the gain

its immediate use would afford, just as it now flows, when needed, from one European country to another.

Our present *fired* amount of currency does not possess this elastic quality, and never can, without the amendment we propose in this bill for *practical redemptions*. Fortunately in our two paper currencies there exists a power to create this elastic quality, and we have applied it. Accepting the necessity of elasticity of currency from the fact that the great earth products of our land ripen and must be forwarded to market in a short period of time, and that through free banking we can obtain currency enough for its greatest necessity, and that in periods of rest, after the crops are moved, the surplus of currency afloat on the country would tend to stimulate unhealthy speculation, we, by the machinery of *redemptions* where it accumulates in our large centers, take it up and send it back to the vaults of the banks, there to remain until the legitimate commerce of the country again warrants its issue. We here obtain the desired elasticity in our currency.

#### REDEMPTION.

We propose to remove the reserve on circulation—which is amply secured without it—and to create a *fund* in the United States Treasury by a deposit equal to 5 per cent. of circulation, to be always kept full and specially held by the Treasury to redeem bank-notes when presented for redemption.

The defects in our banking system made more apparent by the experiences of last fall's panic have suggested a necessity for some radical change to withdraw from the great moneyed centers of our country those vast periodical accumulations which by use in speculation hazard general prosperity.

It has been said that if the accumulations of currency in New York were burdensome, the banks themselves would create a clearing-house for redemptions; but we know from sad experience that three such attempts have failed, notwithstanding a periodical plethora which causes national-bank notes to sell at a discount of from  $\frac{1}{2}$  to  $\frac{1}{4}$  per cent. below legal-tender notes. It has been urged that our proposed measure would prove a burden upon our banks; but as an offset to all such objections we propose to relieve the banks of the still heavier burden attending present redemptions of mutilated notes.

Many of our banks have hitherto employed an agent in Washington to count and destroy their mutilated notes. We find a practice has grown up of each bank depositing a few thousand dollars, *without interest*, with an agent here and elsewhere, as a *compensation* for the labor attending the destruction of their mutilated notes and replacement with new.

The failure of the First National Bank of Washington reveals such deposits from five hundred and forty-five banks, amounting to \$872,440.61, "wholly on account of mutilated currency;" and from sixty-three other banks, "for mutilated currency and other business," \$143,973.27. A calculation of interest upon average deposits with this bank, say \$900,000, at the rate money commands in the District, (10 per cent.,) and we find that one-third of the national banks of this country have been in this way subjected to an annual tax equal to \$90,000, and a *possible* loss from the *failure* of the bank performing these redemptions of \$250,000 more. This unnecessary burden upon our banking system we entirely overcome by redemption through the Treasury, where all mutilated notes go now, and *must* always finally go.

The assorting and replacement of new notes in place of the worn and mutilated, which will so much add to the safety and respectability of our currency, can be done in our Treasury with more rapidity and at less cost than elsewhere, for we have the machinery

now in operation and competent female experts employed at moderate salaries, ready and competent from long experience. About \$35,000,000 of mutilated national-bank notes are now annually replaced with new, and yet much of our currency is in a condition not altogether creditable to our civilization. This proposed method will place in the hands of the people new notes and prevent large accumulations in New York.

#### RESERVES TO BE KEPT AT HOME.

We propose, as another measure to prevent an undue accumulation of money in New York and consequent speculations inducing panics, that the reserves of our banks required upon deposits shall be kept in the vaults of the banks where the deposits are made. This measure needs no comment, as it is universally approved.

#### TREASURY DEPOSITS OF RESERVES.

The law we passed in the last Congress, allowing banks to deposit in the United States Treasury their reserves, to be held as a special deposit, and for which the Treasury issued certificates of deposit payable on demand, proved to be a measure of great advantage and safety to the country banks, many of whose vaults were insecure against modern burglars. The amount so deposited before the panic exceeded \$30,000,000. When the panic came the banks in our large centers found that the people had drawn away all their legal-tenders and bank-notes. Hence they could not respond to the calls of country-bank depositors, and much distress was brought upon country banks whose deposits were in the New York banks; but all those country banks holding Treasury certificates drew their legal-tenders from the Treasury, and were able, without embarrassment, to accommodate their home customers. In many places in New York State where the banks were so fortified business went on as usual, and the people knew nothing of the panic beyond what they saw in the newspapers. So apparent was this advantage that these deposits in the Treasury have increased since the panic to over \$50,000,000. Statutory requirements (without doing away with these certificates) for banks to keep their reserves at home will work in this direction a much-needed reform. The section of our bill for stamping on each note the charter number of the bank is simply to facilitate their assorting.

#### GOLD NOTES AND CANCELLATION OF UNITED STATES NOTES.

The last section of our bill, providing for the retiring of two million legal-tender notes each month for Treasury notes, payable in gold two years after date, and the hoarding of gold to pay them at maturity, is open to such objections that I cannot approve of it. First, no nation ought to have more than two currencies. The hoarding of forty-eight millions of gold by the Treasury, with the present small amount of gold in the country, would of itself place the gold market entirely in the hands of merciless speculators, and the premium would pass beyond the control of the natural laws of trade, and would inevitably reach a price beyond what would be for the interests of the country.

As national banks increase under free banking, the legal-tender basis will be reduced by the requirements of reserves as rapidly as the trade of the country will bear. Under our laws, banks can only redeem their issues with legal-tenders or gold. Every new bank established reduces the outstanding legal-tenders in the legal necessity existing for reserves, and this process must inevitably bring us to specie payments in time.

Experience through many years proves that banks require no stat-



utory laws to force them to keep on hand ready for any emergency reserves equal to about 20 per cent. in the country and 30 per cent. in the cities. *There is a higher law, the law of self-preservation, which instinctively forces adequate reserves; and, if all arbitrary laws requiring reserves were abolished, I doubt if the amount held by banks would be decreased.* From the reports of the Comptroller of the Currency we find that country banks, required by law to keep 15 per cent. reserve, held in 1868 an average of  $22\frac{1}{2}$  per cent.; for the years 1869 to 1872 an average of 21 per cent.; and in the redemption cities for the three years, 1868 to 1870, the average reserves exceeded 30 per cent.; for the year 1871, 29 per cent.; and for the year 1872 over 27 per cent.

We are told that free banking will put upon the country a circulation of 90 per cent. of our entire bond indebtedness, or about sixteen hundred millions of currency. Such men forget that under our national banking laws our banks must redeem their issues in legal-tender notes or gold, and that, when the outstanding legal-tenders are locked up as reserves, the banks can only redeem in gold. The national-bank deposits exceed the amount of circulation. Upon our present \$356,000,000 circulation and deposits our banks lock up \$150,000,000 legal-tenders as reserves. It will, therefore, become evident to every mind that we cannot reach a circulation of \$800,000,000 without having reached specie payments. We shall, through free banking, approach resumption steadily and gradually, without shock to the natural business of the country, but as rapidly as our present condition will justify. This is the true road; any other is dangerous and impracticable.

#### BANK PROFITS.

An almost universal misapprehension exists in the public mind in regard to the profits of banking under the national banking act. Members of this House have repeatedly asserted that it is the most profitable business transacted in this country. This false impression sways their minds to-day in prejudice against our almost perfected national banking system. I regard it of vital importance to remove this misapprehension, because it is an instinct of all men to war against any business that gathers to itself an undue proportion of profits from the industries of our country. At the close of the war the nation found itself in debt more than \$2,700,000,000, as a compensation for a change of the then existing State banks to the present system; and that the Government might place *at rest*, in the form of bonds, a portion of its indebtedness, many inducements and opportunities for profit were offered to banks *that do not exist to-day*, and from which large profits were accumulated during many years.

I trust that the desire of legislators to treat this subject with entire candor will induce them to examine the following returns of the *net earnings and dividends* of all our national banks, returned under oath of the bank officers to the Comptroller of the Currency, as required by the act of March 3, 1869, and then to contrast it with the appended table, showing the profits of banks in England, where capital is more abundant and the ways of its employment less than in our own comparatively new country. A careful study of these tables will dispel the erroneous impression so universal in the public mind.

The Comptroller says:

The national banks were required by the act of March 3, 1869, to make returns to this office of their dividends and earnings semi-annually. From these returns the following table has been compiled, exhibiting the aggregate capital and surplus, total dividends and total earnings of the national banks, with the ratio of dividends to capital, dividends to capital and surplus, and earnings to capital and surplus for each half-year, commencing March 1, 1869, and ending September 1, 1873:



Period of six months ending—	No. of banks.	Capital.	Average sur- plus.	Total divi- dends.	Total net earnings.	RATIOS.		
						Divi- dends to capital.	Divi- dends to capital and sur- plus.	Earnings to capital and sur- plus.
						Per cent.	Per cent.	Per cent.
September 1, 1869 .....	1,431	\$401,650,802	\$82,105,848	\$21,767,831	\$20,921,154	5.42	5.42	6.04
March 1, 1870 .....	1,571	416,366,991	86,118,210	21,479,095	28,996,934	5.16	4.27	5.77
September 1, 1870 .....	1,601	425,317,104	91,630,620	21,030,343	26,813,885	4.96	4.08	5.19
March 1, 1871 .....	1,605	428,699,165	94,672,401	22,205,150	27,243,163	5.18	4.24	5.21
September 1, 1871 .....	1,693	445,999,264	98,256,591	22,135,279	27,315,311	4.96	4.07	5.02
March 1, 1872 .....	1,750	450,693,706	99,431,243	22,859,826	27,502,539	5.07	4.16	5.00
September 1, 1872 .....	1,852	465,676,023	105,181,942	23,827,289	30,572,891	5.12	4.17	5.36
March 1, 1873 .....	1,912	475,918,683	114,257,288	24,826,061	31,926,472	5.22	4.21	5.41
September 1, 1873 .....	1,955	488,100,951	118,113,548	24,823,629	33,122,000	5.09	4.09	4.46

The following statements of the ten principal joint-stock banks of London, including their branches, exhibiting the capital, reserve, deposits, net profits, and dividends of each for the half-year previous to July 1, 1873, have been compiled from balance-sheets of the banks published in the London Economist of October 18, 1873:

Banks.	Capital and surplus.	Total deposits and accept- ances.	Net profits.	Proportion of net profits to capital, per cent. per an- num.	Amount of dividends for half-year.	Proportion of dividend to capital, per cent. per annum.			
						June 30, 1873.	December 1872.	June 30, 1872.	December 31, 1871.
London and Westminster .....	£3,000,000	£23,548,770	£241,098	24.10	£200,000	20	20	20	*18
London Joint Stock .....	1,673,849	17,404,319	139,867	23.31	120,000	20	25	20	25%
London and County .....	1,800,000	20,936,233	169,384	23.23	100,000	20	20	20	19
Union .....	1,500,000	18,628,531	137,910	22.98	127,500	20	20	20	20
City .....	750,000	6,154,383	43,509	16.50	30,000	10	10	10	9
Imperial .....	740,000	2,919,237	46,634	13.82	27,000	8	8	8	6
London and Southwestern .....	172,680	758,314	7,101	8.54	4,955	6	6	5	5
Consolidated .....	876,125	3,258,095	69,895	16.47	36,000	9	9	8	7½
Central .....	109,000	669,018	8,004	16.00	4,000	8	8	8	6
Alliance .....	940,000	2,336,440	34,520	8.63	28,000	7	7	6	5
Total .....	11,561,654	102,013,250	903,922	20.68	677,455	15½	-----	-----	-----
Bank of England, August 31, 1873 .....	17,580,000	£2,080,534	755,221	10.80	764,032	10	10	-----	-----

\* From the London Economist of March 15, 1873, page 84.

† Public and other deposits September 11, 1873.

The statistics of the Bank of England and its dividends were obtained from the report of the Bank of England published in the Economist for September 13, 1873. The usual dividends of this bank are 10 per cent. per annum, but the amount has varied for some years past from 8 to 13 per cent.

From these tables we glean the fact that the national banks of our country have earned for their stockholders, from 1869 to 1873, an average of *less than 10 per cent.* upon capital invested, and this through years of comparative prosperity, while the banks of England were able to earn and pay their stockholders an average of more than 15 per cent. Nor should we lose sight of the perilous nature of the banking business, because experience has shown that a single panic has swept away in a single day the profits of years, and sometimes annihilating capital and profits together.

Mr. ARCHER. I will ask the gentleman if the agricultural interest has yielded one-half that percentage to the owners of the soil?

Mr. MERRIAM. I think it would have yielded more had we not restricted the currency limit so low that agriculturists could not have all the advantages they ought to have had.

Mr. ARCHER. As the gentleman challenged the democrats on this side of the House to listen to him, I would say that the gentlemen on that side, having had control of the currency, have depressed the agricultural interest and built up bankers with these large percentages.

Mr. MERRIAM. We have done some things in regard to the currency that we should not have done. We have restricted the amount too long. We are going to correct it, and make you all happy.

I am aware that it is impossible for men easily to understand how national-bank profits can be so small, when they only see the one fact, that Government pays 5 per cent. interest upon bonds held by banks for a basis of circulation, and when it at the same time supplies the banks with currency which can be loaned at a higher rate of interest, which is so generally believed and expressed as "getting double interest upon capital." Let us examine the peculiar machinery of our banking law, adjusted with so much wisdom to perfect security to the public, and we ascertain *why* the profits are no larger than capital can earn and *does* earn in other branches of business.

First, we will consider the establishment of a bank in Illinois, where capital commands 10 per cent. interest. To establish a bank with \$100,000 capital we buy of Government bonds, at 110, \$100,000 5 per cent. gold interest-bearing bonds; when these are deposited with the Comptroller of the Currency he furnishes \$90,000 circulation. The law requires an average reserve held idle in the banks of \$18,000, say 20 per cent., which deducted from the \$90,000 leaves \$72,000 to loan at 10 per cent.

Therefore the result from the establishment of a national bank in Illinois will be—

Ten per cent. on \$72,000 circulation.....	\$7,200
Five per cent. gold interest on bonds.....	5,000
Premium on gold interest, say.....	500
	<hr/>
	12,700
Deduct 1 per cent. national tax on circulation.....	900
	<hr/>
Leaving a balance of.....	11,800

or \$300 more than the same amount of cash (\$110,000) would command any day if invested in that most perfect of all securities, a bond and mortgage upon real estate.

✓ The higher the rate of interest in any locality the less the profits upon bank-note circulation, because of the loss of the difference of

interest upon the amount taken from the capital by the necessity of an idle reserve; but this same necessity applies to any mode of banking, from the fact that with or without arbitrary laws self-preservation dictates to modern bankers the holding of a reserve fully equal to the amount required under the national banking act.

Permit me to bring the same test to New York, where the legal rate of interest is 7 per cent.

With the same cash, \$110,000, we buy \$100,000 of bonds. Upon this \$100,000 we receive \$90,000 circulation; deducting from which 20 per cent., (\$18,000,) the average amount of idle money held as reserve, we have \$72,000. Loaning this at 7 per cent. leaves a result of \$5,040; 5 per cent. interest (gold) on Government bonds, \$5,000; 10 per cent. premium on gold interest, \$500; making a total of \$10,540. Deduct national tax on circulation, \$900, and the income from the \$110,000 will be \$9,640. We could receive at 7 per cent. on the \$110,000, if loaned on bond and mortgage, \$7,700; the difference between which and the \$9,640 shows an excess of profit from banking in New York of \$1,940, in Illinois of \$800 more than the income would be from a bond and mortgage investment. Three per cent. difference as loss by reason of high rate of interest in the West between \$110,000 and \$72,000, or 3 per cent. on \$38,000, gives \$1,140 as the excess of New York banking profits over Illinois.

This exhibit would not of itself attract capital to free banking so rapidly as to "flood the land with irredeemable paper money." The great bugbear of inflation from free banking, *under the restrictions of our national banking system*, can become a reality only in the imaginations of men who have not carefully made this analysis.

The advantages and profit from banking under our national system come from the confidence its security inspires in the minds of the people, and which induces them to deposit with national banks everywhere their floating capital, and from which, mainly, banks derive their profits.

#### THE WEST AND SOUTH FEEL THE NECESSITY FOR ADDITIONAL BANK FACILITIES.

The West and South see the necessity *and advantage of more local bank facilities*. Hitherto the great West and South have been content to invest their surplus accumulations in enterprises promising greater returns than is possible from banking, and have been forced, in the absence of adequate local banking facilities, to borrow at high rates and great disadvantage in the East.

The advantages of banks in any busy community are seldom fully appreciated. They gather together, increasingly, more and more, year by year, the loose earnings of the people, and distribute them to the development of home enterprise, from which the people themselves find increased employment and happiness. Banking is the *only* mode of bringing cheap capital to labor; it always has proved a gentle fertilizing power in the great *social workshop*, and when conducted with safety to the bill-holder and depositor, it becomes one of the greatest of economic blessings to mankind. Free banking will be the great opportunity for the South and the West. In 1860, the South and Southwestern States had a bank circulation, issued under State laws, of \$71,098,408. Under the national banking system the same States have now less than \$40,000,000. New England had before the war a circulation of \$65,576,155, now it has \$110,489,960; and her representatives assert that she has none too much. New England has a circulation *per capita* of \$31.68; the Middle States, \$12.82; the West, \$7.09; the South and Southwest, \$2.91.



THE WEST AND SOUTH LONG AGO APPLIED FOR THEIR PROPORTION OF CIRCULATION.

These great undertakings required for the successful prosecution of the war turned western capital into other channels than banking. The stimulus to enterprise then aroused has intensified ever since, only in other undertakings, *all* promising greater rewards than banking; but as the accumulations from labor increased the West applied for the privilege of establishing more banks, only to find themselves shut out by the absorption to the legal limit of \$356,000,000 by older and richer States.

Free banking will be her opportunity; the panic of last fall has unloosed millions of capital hitherto employed in those vast enterprises which have pushed the West to greater progress than any other people hitherto have reached in the same period of time. Her enterprises were carried forward under the disadvantages of dear money borrowed from the East. Give her free banking as she demands, and the thralldom of the West will be severed from the Shylocks of the East. The marvel is how, with money at 1 to 1½ per cent. per month, she ever grew to such proportions. It shows the power of strong hands and vigorous minds working in generous soils.

#### NECESSITY OF HOME BANKS TO RETAIN CIRCULATION.

It has been argued that it was economy for the West to borrow of the East at exorbitant rates of interest rather than to take her capital from paying enterprises to establish banks; but borrowing from the East implies a continued inadequacy of currency in the West from the necessity of redeeming note obligations in currency, at the place where it was borrowed, at maturity of every discounted note, *except* in the season of moving the crops, when the crops themselves will pay the notes.

Loans from banks located in the West, paid every sixty or ninety days, enforce the continuance at home of what the West most needs, an adequate amount of currency issues.

A realizing sense of the heavy tax upon labor from dear money, added to the vexatious difficulties and delays in obtaining loans in a market ever distrustful of distant undertakings, has, beyond question, aroused the great workers of the South and West to appeal to Congress for relief through free banking.

#### OUR CURRENCY.

Advocates of a metallic currency assert that no dollar of currency can have value that has not cost a dollar to produce—hence, that our paper currency is “depreciated, worthless, and dangerous.” Some men claiming to be American citizens characterize it as “dishonored trash.” The “promises to pay” of a people having no habitation, honor, or virtue—mere wanderers in deserts or on mountains, without intelligence or the accumulations of industry—might with some degree of propriety be characterized as “dishonored trash;” but to say of a great, free, and vigorous nation like ours that its promises to pay are “worthless trash,” is neither evidence of patriotism, financial acumen, or common sense. Chief Justice Chase, who was Secretary of the Treasury when the acts of February and July, 1862, and March 3, 1863, were passed authorizing the legal-tender issue, said in the case of the Banks *vs.* The Supervisors, (7 Wallace, 26,) that these acts contemplated a *permanent* circulation until resumption of payment in coin of \$400,000,000, and, in 7 Wallace, 29, that the period of payment was left to be determined by public exigencies. In the act of 1869 Congress declared that the United States also “pledges its faith to make



provision at the earliest practicable period for the redemption of United States notes in coin."

With the balance of trade against us, as I have shown, and the fifteen hundred million indebtedness abroad requiring an annual payment of \$100,000,000 interest in gold, it is evident that the "practicable period" has not yet arrived, and hence that our "promises to pay" are not, never have been, and I say, as an American citizen, never will be, "*dishonored*." We pay our interest at home and abroad in gold. Our own currency we owe to ourselves. The American people require it for *permanent* circulation, and it will be so used long after gold mingles in and dollar equals dollar.

Mr. Speaker, there are men on this floor whose promise to pay will command gold in the note-markets of our country, *because back of it* stand long years of integrity, industry, and accumulation. So of the promises to pay of a nation, standing proud, free, and honored before the world. But we are told it is worthless because it costs nothing to make; that it is the mere creature of the printing-press. The same sophistry might be applied to the individual promise to pay; *the paper costs nothing*; but it binds houses and household goods, farms and cattle, all accumulations, past and future.

The labor of a few thousand men brings forth gold from our mines, but our promises to pay bear the impress of the *labor* of forty million people. It is this labor, that only producer of wealth, that stamps its credit and gives it the power of money within our own borders. Men who are afraid of our paper money forget our great past and have no conception of America's future.

There is not gold enough in the world to transact the business of modern commerce; hence, each nation invents its own paper currency. Nations not deprived of gold by exhaustion from war, pestilence, or famine, base such paper currency upon gold that it may float at par with the prices of the commodities of the world. In the absence of gold, our paper is based upon our nation's faith, and we shall bring it to par with gold when by stimulated industry we lift the mortgage upon our industries now held by other nations. I have no words adequate to express my admiration of the ingenuity of our paper system, which, when perfected by this bill, will measure and supply at all times all and no more currency than will be required by our vast commerce to compass the aims of our people to a grander civilization and progress than ever before.

Mr. George S. Coe, president of the New York Clearing-House, a banker of life-long experience—and I only express what is universally conceded when saying that he is one of the most able financial thinkers of our age—said to our committee that—

If you adopt Mr. MERRIAM's plan of redemptions, and allow the two systems of free banking and redemptions to go out together, *the volume of currency will regulate itself*; and while the crops are being moved it will expand, and afterward it will return again to the banks which issued it; for as you make redemptions practical you make bank-notes a more perfect representation of property. Free banking and practical redemption will result in supplying the amount required for the trade and commerce of the country when wanted.

It cannot be charged as an unjust interference with private rights, for, as Mr. Coe wisely remarks—

When Government gives to banks this *living power*, it should enforce such provisions as the public require for safety.

The Commercial and Financial Chronicle and Hunt's Merchants' Magazine, of December 13, says, when commenting upon this bill:

"All legislation should be based on a popular want," says a modern jurist, and

the first question about a new law is, what is the real want it aims to meet? Applying this test to the new bill which is proposed to secure elasticity of the currency, we find, on the whole, a satisfactory response.

This new measure will be presented in the House by Mr. CLINTON L. MERRIAM, who is a member of the Committee on Banking and Currency. The bill provides—

First. That the present legal limit restricting the aggregate of the bank currency shall cease.

Secondly. It enacts that a prompt redemption of the bank-note shall be secured by establishing an assorting-house at Washington, with a branch in New York. By this new mechanism the bank-notes are to be sent homo for redemption to the banks issuing them, and at the expense of these banks.

Thirdly. The Government is to redeem all bank-notes through this assorting-house; and to provide funds for this redemption, each bank must place in the Treasury a reserve of greenbacks equal to 5 per cent. of the aggregate of its outstanding notes. This 5 per cent. of its reserve must be kept good by the banks at all times.

Fourthly. The banks on these conditions are to be relieved from the obligation to keep 15 or 25 per cent. of reserve on their circulation, but the reserve on their deposits must be maintained as at present.

Such, in substance, is the proposed bill, which is, as will be seen, of a very novel character. The want it aims to meet is the notorious and urgent want of elasticity in the circulating medium. To confer this quality the banks are to be compelled to redeem their notes. This it is supposed will contract the outstanding aggregate of notes in the summer by the amount of fifty or sixty millions at least. These notes will go home for redemption. It will be impossible to keep them out. During the whole of the dull season, if the assorting machinery is efficient, the bank currency will be kept down to the normal amount wanted for the business of the country. At other seasons, when business is more brisk, the assorting-house will not get the notes for redemption. These notes will consequently stay out and will keep up the current of the circulation to its normal level. This new machinery of the assorting-house is so simple, and its purpose is so well understood, that we need spend no further time in describing either its functions or its necessity. Its operation is like that of the great dikes in certain parts of Holland. When the flood rises above the safe level and threatens trouble, it is seized and disposed of by powerful machinery. When it sinks below the point of danger, the mechanism is mute; and room is left for the natural streams which supply it to raise the current to the proper level of safety.

The New York Bulletin and the New York Financier, whose views are respected in financial circles, also editorially approve of the main features of this bill.

I hope it is not unparliamentary to quote the following from a speech delivered in another branch of Congress by an eminent Senator, February 27 last. I may be pardoned, because it has been quoted everywhere by the press as an embodiment of the metallic-currency sentiment of the country, and has been scattered broadly for reading by us all. In it are many mild though cleverly applied sophistries, deduced from experience when wandering hand in hand with that Venetian traveler, Marco Polo, to the home of an ancient tyrant who chose the novel mode of taxing the people through a compulsory acceptance of worthless paper promises, but he forgot to take from the great store-house of history those other innumerable methods of oppression resorted to through the ages to rob the people—"forgot," perhaps, because he could make no *practical* comparison between the power of a tyrant over ignorant masses, and the paper promises of a great, free nation themselves creating a paper promise, redeemable through taxation upon wealth and industry immeasurable, and whose application to our necessities has been tried through years—tried, though not "tried and exploded again."

We can forgive the logic of men so learned in Chinese experiences, but who, neglectful of modern history, overlook the experiences of the present which other men read in the statistics of the rewards of labor in our own country as compared with the rewards of the pauperized laborers of England, though he exclaims:

Let us in this light compare England with the United States. In England, as

well as in all European countries, the number of persons receiving salaries and wages is far greater in proportion than in the United States, and every one who is acquainted with those countries knows it. There are large armies there, large navies, which we have not. The number of private servants is much larger than here. The number of operatives and daily laborers is still greater. Now, although the population of the United Kingdom is only thirty-two millions, while ours is forty millions, yet the number of persons receiving salaries and wages is not only in proportion, but absolutely greater, much greater in England than here; and although wages rule higher here than they do there, yet I think I do not venture much when I say that the aggregate amount paid in wages and salaries in England is much larger than it is in the United States.

It is fearful to contemplate the exodus of American freemen from happy homes all over our land, especially from Missouri, after this advertisement that English servants and idle soldiers receive greater rewards than they. Still we can forgive many sophistries in those who arrive at one practical utterance like the following, where the graceful debater says:

Now, sir, I do not wish to be understood as being absolutely opposed to free banking under any circumstances. I should be inclined to vote for it if it be coupled with an effectual system of redemption.

And when speaking of our currency, he admits that—

A restraining influence, however, might be imparted to it even while we are under suspension of specie payments, by establishing between the Government legal-tender and the national-bank note the same relation which in suspension times existed in England between the Bank of England note and the country-bank note there; that is to say, if we give the Government legal-tender note a sphere of action superior to that of the national-bank note. This might be done by repealing that part of the national-bank act which provides that the national-bank currency shall be a legal tender in payment of taxes and other dues to the Government; and the system of redemption might be made effectual by establishing assorting-houses at the different business centers of the country. That, I think, would increase the demand for greenbacks in contradistinction to national-bank notes. It would make the conversion of national-bank notes into greenbacks an object of desire in the ordinary run of business, and it would oblige the issue of national-bank notes, if they are to remain at par with greenbacks, to stay within the limits prescribed by the possibility of actual redemption, made effectual by the establishment of assorting-houses. I throw this out as a suggestion to be considered by Senators.

#### LABOR, NOT GOLD, PRODUCES WEALTH AND HAPPINESS.

Never before in the history of the world has there been such an opportunity to test by experience the ability of a people to advance to happiness and wealth with no other medium of exchanges beyond paper "promises to pay." Fortunately, in our intelligence and *necessity*, we have escaped all those terrible catastrophes prostrating national grandeur, so eloquently described by Macleod in his *Principles of Economical Philosophy*. He says:

Spaniards were dazzled with the brilliant prospect of securing the greatest part of the wealth of the world without labor, imagining that the well-being of the country consisted in amassing enormous heaps of gold and silver, *mistaking the means to the end*, and not discerning that the precious metals are only precious so long as they are used for setting industry in motion—the tilling of land, the mother of increase, or the building of ships to promote the commerce of nations, or plying the loom to produce clothing for mankind.

While the precious metals poured into the country in boundless quantities, which the statesmen of Spain thought would make them the rulers of the world, it began immediately to decline: its industry was paralyzed, and the most sanguinary penalties were unable to prevent their much-coveted treasures flying from the country, till at last it was reduced to the lowest depth of poverty, weakness, dishonesty, and contempt. Next to Poland, Spain became the weakest and poorest nation of Europe. Scarcely ever has the world seen a country blessed with so many resources by nature so suddenly descend from so lofty an eminence to such a pitch of degradation.

We find that other than Spanish sovereigns believed that their chief power consisted in the accumulation of the precious metals. It became a cardinal point of their policy to import gold and prevent its ex-



port. From about the beginning of the fourteenth century the laws of nearly every country in Europe endeavored—but always in vain—to prevent its export. Statesmen and merchants alike were infected with this delusion; and this same delusion lives to-day and crops out all about us in the fallacious proposition to sell two hundred millions of our bonds to foreign nations for gold, which we could not retain six months against the inexorable laws of trade.

The experience of England, during her long suspension of specie payments, does not so well illustrate the results from the use of paper money as ours, though her progress in wealth through many years of her suspension was marvelous, because of her repeated drawbacks from premature attempts at resumption. Neither can the progress of Russia and other European powers, under a suspension of specie payments, illustrate as ours the capabilities for advancement during specie suspension, because political liberality, especially the freeing of serfs, became a powerful element in stimulating labor and the consequent increase of wealth.

It is only when an entire people marshal a paper servant to perform its internal exchanges, as ours has done for ten years past, that we can measure practical accomplishments attainable through its use, and then only by an inventory of the results. This inventory can be read of all men. He who ten years ago traversed this vast continent from ocean to ocean, from the great lakes of the North to the Gulf, and traverses it to-day, marvels at the almost magic upbuilding of cities, towns, villages, and happy homes, rich in all those modern aids to civilization and human happiness the inventive genius and activity of our people have created in places where ten years ago there were no cultivated farms, no schools, no churches, no railroads, no busy industries, no happy homes; but a waste as solemn and silent as a thousand years ago.

Here we are to-day with our old cities doubled; our new ones glowing with life; our millions of then unbroken acres teeming with life and yielding immeasurable bounties and blessings. The young life of our race, buoyant with hope, elastic with promise, is wrestling with the arts, the sciences, and with every promise of splendid rewards.

Bury in the ocean all the gold of the world, and these triumphs of labor and genius remain all the same. Theorists may in vain deride our "depreciated, irredeemable trash," but the great fact of *increase* stands before us to-day, and asserts that labor, and not the servant of exchanges, is wealth.

#### OUR PROGRESS WITH ONLY PAPER MEDIUM OF EXCHANGES.

No man can gainsay that, in no period of human history in one decade, has the willing laborer compassed so many blessings for himself and his family. In no other ten years has there been given such constant and well-paid employment, through which the humblest mechanics, who practiced ordinary economy, have so educated their children, been so well dressed and well fed, and bought and paid for so many homes, as through the period when we have had none other than "depreciated, irredeemable trash," and in the use of which I have never yet heard an honest toiler complain that it was so "worthless" that he was not willing to give his labor to obtain it. Witness the savings of the laborers of our country. We find that the savings-banks of New York and New England hold to-day more capital, representing their accumulated industries, than all the capital of all the two thousand



national banks in our land.\* It represents more wealth that could be converted into money than all the tyrants of old ever saw.

Turn a moment to the results of accumulations of the new-born freemen of the South, as illustrated through the beneficent influences of the Freedmen's Savings-Bank. They were taught by its managers the blessings of saving the rewards of their labor, and we find that \$50,000,000 have come in, little by little, until each depositor had saved enough to buy a little home of his own, and forty-seven millions have gone out into fixed capital into land and cabins at present owned by the late slave, until all along the rivers and on the uplands of the South men and women, under God's blue sky and our country's stars and stripes, (stripes more redolent of joy than those of old,) are progressing to a better manhood, and in the new-born love of the soil, now their own, becoming useful citizens of our Republic. All this was accomplished from the sweat of honest brows even while using our "irredeemable, depreciated trash." Surely great blessings have followed, considering the disadvantages of the presence of so bad a currency.

Bury all the gold in the world, and these homes remain a living monument of patient industry. I am told that men have lived extravagantly and beyond their income, and that some have built beyond their means, because of the influence of paper money; but men in all ages have done this, and for all time will enter into profitless enterprises and reap disaster; and therefore that is no argument for others being kept idle. Railroads, those great civilizers and now indispensable instruments of material progress, have been pushed, it is true, too far into the next century for the happiness of some men, and yet that great accomplishment of modern times, the Pacific road, binds together the continent, making two republics an impossibility. It is a marvelous monument of the imbecility of men who use paper money.

In a recent *legislative* discussion on this floor, when in the heated wrestle for mastery through that high-school art of classical debate, my keen-witted friend from New Jersey, [Mr. PHELPS,] disclaiming forever his vast possessions, assumed the attitude of injured innocence, exiled from his hard-earned many millions, he stood before us a confessed and sorrowing pauper, and he said "paper money had done it." I confess for a moment I forgot the indiscretions of youth, and sorrowed with him over the betrayal of youthful confidence. The prairies of his opponent had wooed his last dime, still he said "paper money had done it." The great army of workers all over our land had grown rich and happy under the stimulus of our paper money, while he alone stood wretched and comfortless before us, saying "paper money had done it." I could but picture "what might have been" in his hard-earned money prudently saved in the Freedmen's Bank, uprearing for himself and little ones a cabin on the Suwanee River, and his soft voice exclaiming to us in the joy of a new-gained happiness, "paper money did it."

#### CREDIT.

We now use for carrying the products of industry from the pro-

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\* National-bank deposits average \$625,000,000; national-bank discounts average \$950,000,000; national-bank capital \$491,000,000.

In New York State alone 150 savings banks held January 1, 1873, \$285,286,621 from 822,642 depositors, \$347 each person; in New York City 41 savings banks held January 1, 1873, \$169,503,273 from 476,417 depositors, \$360 each person, while in New York State 223 national and 71 State banks had a capital of only \$134,614,181. Entire deposits in savings banks in the United States exceed a thousand million dollars.

ducer to the consumer United States notes, national-bank notes, and bank-checks. In our large centers 96½ per cent. of all exchanges are made with checks, and the farther removed from large cities, where banks are numerous, the greater the necessity for the use of United States and bank-notes. Checks and bills of exchange are instruments of personal credit, and from their very nature are less secure than currency fortified by the seal of Government. Just in proportion as bank-notes and legal-tenders are inadequate to perform the vast exchanges of the country is the necessity for the use of the less valuable promises to pay; but the magnitude as well as the convenience of commerce demands the use of checks and bills of exchange. Of gold there is not enough in the world to make the exchanges of modern commerce; hence credit becomes the most gigantic species of property in all commercial countries.

Says Daniel Webster :

Credit is the vital air of the system of modern commerce. It has done more, a thousand times, to enrich nations than all the mines of all the world. It has excited labor, stimulated manufactures, pushed commerce over every sea, and brought every nation, every kingdom, and every small tribe among the races of men to be known to all the rest; it has raised armies, equipped navies, and triumphing over the gross power of mere numbers, it has established national superiority on the foundation of intelligence, wealth, and well-directed industry.

So also an able French writer, M. Gustave du Puynode, says :

However fruitful have been the mines of Mexico and Peru, in which, for a long time after Columbus, seemed buried the fortune of the world, there is yet a discovery more precious for humanity, and which has already produced more wealth than that of America: that is the discovery of credit; a world altogether imaginary, but vast as space, as inexhaustible as the resources of the mind.

But, Mr. Speaker, credit unbridled has all along the ages wrought disaster and misery. Fortunately for the people of this day, private capital is sensitive, and experience has devised a system of banking which only needs the appliances we propose in this bill to give stability and safety to all our internal commerce; but credit in some form, either in bank-notes, checks, or bills of exchange equal to our necessities, is indispensable to progress. Had the bankers last fall, in our large centers, when pooling their assets as a buttress against disaster from a raging panic, instead of only attempting self-protection through credit contraction, had followed the example of the Bank of England in similar crises, and extended credit to perfectly solvent customers, they would have checked disaster and panic together. Twenty-five millions thus loaned would have served the same purpose as the twenty-five millions of currency they besought the President to loan them, which he wisely declined, because, as he said, "the President cannot violate law."

If bankers only extend credits to merchants in times of abundant money, they become commercial traps to lure the merchant to extend his business under a fair sky, only to be wrecked in cloudy weather; for panics come so suddenly that commercial communities are wholly unprepared for them. The crises of 1857 and 1873 were more disastrous because not generally expected. We are aware that in England, in 1857, the ruin that followed was, as here, a stupendous loss to the country; that while the amount required to meet mercantile liabilities was vast, as it always is in England and America, yet the amount required for temporary relief was comparatively small; that what was most required was the credit which prudent loans would have readily supplied. Says that English author of the Blue Book and the History of the Bank of England, when describing the crisis of 1857 in London :

The great American firm of Peabody & Co. was known to be on the point of sus-

pending, though perfectly solvent; but, like so many other firms kept out of their money, were unable to meet their engagements. The help required was £800,000 sterling, and the act prevented the Bank of England from advancing this sum. No sooner was the act suspended, and the bank unfettered, than it advanced the \$4,000,000, and Peabody & Co. were saved.

Saved for those great charities that so honor our humanity. He adds:

The beneficial effects produced by the suspension of the act, and the resolution to extend its issues, were instantaneous. In four days after the suspension of the act, the panic had ceased throughout the kingdom. Many firms suspending for want of speedy relief resumed and paid in full, and they would have been saved enormous losses if monetary relief had been extended to them by an earlier suspension of the act. There is something whimsical in the fact that the question of bankruptcy to solvent firms should be dependent upon a change in the law of the land between half-past two and half-past three o'clock of one day, but that was the simple fact which saved Peabody & Co. between those afternoon hours on the 12th of November, 1857.

The senior partner of Peabody & Co. was held by the Bank of England to be so wealthy as to furnish of his own name sufficient security for the enormous amount of four millions of money, but other firms equally solvent "failed before the act was suspended."

#### LIBERAL FINANCIAL LEGISLATION LAST CONGRESS WOULD HAVE PREVENTED THE PANIC.

To thoughtful minds will come the suggestion that all the financial disasters of our country to-day could have been obviated had Congress a year ago, when it was so obvious that contraction threatened our industries, passed the bill now matured for its consideration. It is through credit alone that the young energy of American youth, born in poverty, but alive to work, finds entrance to those profitable fields of enterprise that make us rich by developing the hidden resources of our country. Whenever a country is overtaken by a financial crisis disasters fall not upon the rich lenders of money, but upon the workers, whose energies and accumulations are pledged to capital. Hence it is the highest duty of legislators to study the influences that work upon the minds of men to produce financial crises, and to so legislate as to obviate them. Panics furnish a harvest for the rich in the low forced sales of property. Large capitalists at such times only are able to buy. All legislation in the direction of financial stability is in the direction of protection to the many; the few who are rich can always protect themselves.

Legislators and students in the science of political economies can read in our own experiences the baneful results of inadequate currency to perform all the business of the country. In 1857, when the country was banking upon a specie basis, the balance of trade against us drew away our gold, and our banks suspended. It happened just at the season when the great cotton crop of the South was going forward to the markets of Europe at an average price of fifteen cents a pound. The bankers unwisely refused loans to customers, and those merchants who held cotton for advances made to the producers, unable to borrow, failed, and England, who stood ready to take our cotton at fifteen cents a pound, bought it under forced sales at from seven to nine cents a pound, and our nation, from want of a stable financial system, lost at least \$50,000,000; and the people of our country were thereby made fifty millions poorer.

#### CONTRACTION THE CAUSE OF THE PANIC.

In 1873 we had a currency panic, from the contraction of our currency. From the 31st of August, 1865, when it was at its maximum,



and stood on the books of the Treasury at \$1,152,914,892.67, including legal-tender bank-notes, 3 per cent. certificates, and compound-interest notes, and when mercantile business was most healthy from its thirty-day credits, and when the ordinary small transactions between man and man, including paying of labor promptly, were made with cash, down to the fall of 1873, when our currency, including legal-tenders, three hundred and fifty-six millions; bank-notes, three hundred and forty-nine millions; and fractional currency, forty-eight millions, had been contracted to seven hundred and fifty-three millions, less one hundred and twenty-five millions held idle in the banks as reserves, and the estimated loss of fractional and other currency through the war as burned, destroyed, or lost on sea and land, of twenty-five millions, added to the estimated amount always *in transitu* over our great country in express and by other carriage, ten millions, and the money held by the collectors of the State, county, and municipal tax, amounting annually to nine hundred millions, at ten millions, and we have—

Available as actual circulation.....	\$753, 000, 000
Less reserve.....	\$125, 000, 000
Loss by land and sea .....	25, 000, 000
Hoarded.....	100, 000, 000
In transit.....	10, 000, 000
Held for collected taxes.....	10, 000, 000
	<hr/> 270, 000, 000
An actual contraction to.....	<hr/> 483, 000, 000

In 1860 we had—

Bank notes.....	249, 000, 00
Coined gold and silver* .....	250, 000, 000
Total.....	<hr/> 499, 000, 000

To this actual contraction from funding compound-interest notes must be added the comparative contraction from the increase of population and wealth. In 1860 our population was thirty-one millions; in 1873, forty millions. In 1860 our wealth was \$16,000,000,000; in 1873, \$31,000,000,000. In 1860 our circulation was \$499,000,000; in 1873, \$483,000,000—\$16,000,000 less than in 1860—with *five millions* of colored people now for the first time finding use for money. Add these five millions to our *ninemillions* of actual increase of population, and we have *fourteen millions* more human beings to-day using money than we had in 1860. Can it be enough for all our diversified industries? It seems to me that any school-boy can tell the ablest teacher of political economy that *forty millions* of people, of like habits and industry, require more money to make the trade exchanges of the country than *twenty-six millions* of the same people.

#### AMOUNT OF OUR CURRENCY CONTRASTED WITH THAT OF OTHER NATIONS.

Let us contrast with our own available currency that used by other civilized nations; for something can be learned by contrast. The total amount of gold coin used as a circulating medium in the Kingdom of Great Britain and Ireland January 1, 1873, was £84,551,000; bronze, £1,148,000; silver, £15,000,000; and the excess of bank-notes over coin reserves £40,540,000 sterling—a total circulation of £141,239,000; being equivalent in United States gold coin to \$686,421,540. And let us not forget that this old and financially conservative nation has but thirty-two million souls; that hers is an old and comparatively completed country, with no new enterprises, and with so small a territory,

\* Mint estimate, \$300,000,000; Treasury estimate, \$275,000,000.



that her financial necessities can be compassed by railroads and the telegraph in twenty-four hours; while the United States, with her forty million people, all on fire with enterprise, extends over a territory three thousand miles wide, and over twenty parallels of latitude.

Then take France, with a population and wealth perhaps equaling but not exceeding ours, and she, too, an old completed country. France had, December 25, 1873, of currency, 4,000,000,000 francs, and paper notes of the Bank of France in circulation 2,807,689,625 francs—a total of 6,807,689,625 francs; from which deduct the metallic reserve in bank, 759,962,419 francs, and the currency circulation is 6,047,727,206, equivalent, in United States gold coin, at twenty cents to the franc, to \$1,209,554,441.

Let every thoughtful, patriotic mind carefully analyze these statistics, for these rich old conservative nations have had experience.

#### HOARDING.

I may be asked upon what I base the \$100,000,000 in my estimate as hoarded, and I answer that last spring, after Congress adjourned, I went through the South with a view of ascertaining how much currency was hoarded by the colored people; I went into cabins and by-ways. I talked with intelligent colored teachers and preachers, with the rich and the lowly, and I am convinced that fifty millions, hid away in cabins in safe places and buried in the ground, is a low estimate; for we must remember that the South has produced every year since the war from three to four million bales of cotton, netting over \$200,000,000 per annum, which has brought cash, and the colored man *did all the work*. We must remember that these people had seldom seen gold; that the greenback was the first thing they ever earned they could call their own, the first thing, save our flag, that stood before them a symbol of their freedom. With it they soon learned a power to gather together long-broken families into a common happy home. To the colored men the greenback rose above the dignity of a language; to them it almost bore the dignity of religion. This precious-earned companion of the new freemen they gather and cherish as better than gold, the possession and power of which they never knew.

To my mind there is no mystery in their *hoarding* fifty millions of "greenbacks." It is no large estimate to say that fifty millions are hoarded by the whites of our country. It is an instinct of humanity to "lay away something for a rainy day." Away from thickly settled communities and savings-banks men hide it in safe places. It is the same instinct that led the millionaire and the humble to take all the currency from our banks last fall and hoard it as an anchor of safety until the storm of panic was past.

The history of all time teaches us that just in proportion as men have confidence in money they hoard it. During the reign of wild-cat money in the West the honest farmers were so often victimized forty to sixty cents on a dollar on all the bank-bills they held that they naturally became distrustful of all paper currency, and for years never brought their produce to market until ready to exchange for commodities required for family use. To-day these same farmers take advantage of the highest market prices, accepting our currency with a confidence that assures us they know it is the debt of a nation too proud and too great ever to repudiate; that it is the first mortgage upon all the property of a nation that will not always be in debt, and which has reduced the national mortgage from its maximum, August 31, 1865, \$2,757,689,571.43, to \$2,157,470,114.41 on the 1st of February, 1874,

an average yearly payment for more than eight years of seventy-seven millions.

MISCHIEVOUS AND UNFAIR COMPARISON.

It is sad to contemplate how many able and ordinarily fair-minded men seek to unfairly and dishonestly deride our currency, telling us to *beware*. They compare it to the *assignats* of France based upon the confiscated unproductive lands of the clergy, which being unproductive possessed none of those economic attributes of life and warmth which justify confidence in the holder that they will ever be paid. They point to the *assignats* and tell us to beware. They compare it to the paper money of our Revolution, which, owing to our then imperfect arts, was so counterfeited by enemies and rogues as to render it impossible to distinguish the genuine from the counterfeit; they point to it and tell us to *beware*.

They compare it to the late confederate currency, based upon a triumph of aristocratic ideas over the generosity of a civilization reaching ever forward to greater liberty of thought and action, and which, with God's blessing, will never turn backward to blight the pathway of humanity. They point to confederate paper and tell us to *beware*.

They compare it with the paper promises to pay of that beggarly remnant of Spanish power on the shores of the western continent, and say, "Behold the Cuban currency," and cry "*Beware!*"

[Here the hammer fell.]

The SPEAKER *pro tempore*, (Mr. LAWSON in the chair.) The gentleman's hour has expired.

Mr. FORT. I move that the gentleman's time be extended.

The SPEAKER *pro tempore*. The Chair hears no objection.

Mr. MERRIAM. They tell us of the "South Sea bubble," where the cupidity of our usually stable consins was excited by systematic fraud in which government and the people went mad and lost their senses and virtue in the vain hope of acquiring unearned riches from beyond the seas without toil, and tell us our paper currency will inflate and burst like the old bubble. But was it paper money that seated this dishonor upon the brow of English statesmen and English character, or was it that gambling propensity which poisons alike all mankind who are deluded by the fiction that riches can be obtained without honest toil? Is it in sincerity and honesty that intelligent men point us to the "South Sea bubble" and tell us to beware, when the great *power* of our currency is based upon a necessity for its use and in the mutual confidence of honorable men, without which there is no possibility of extended commerce, which is one of the master glories of civilization?

ASSERTED LOSSES TO THE PRODUCER FROM PAPER CURRENCY.

There is another fallacy and a cheat attempted to be practiced upon the *farmers* of our country, and which was effectually exploded in a speech by the late Secretary of the Treasury. They charge in one sweeping assertion that farmers can never grow rich while they sell their products of cotton, pork, cheese, and corn in foreign countries for gold, and pay for what they buy in gold and currency.

It is so obvious a deceit that it is scarcely deserving of contradiction. The farmers of our country possess more intelligence than many theorists. They can read, write, and cipher, and always use common sense. A farmer in my district produces cheese worth \$10,000. He sells it for a price it commands in foreign markets in gold, less commissions and transportation. Suppose he dispensed with all middle-

men and took it himself to England, receiving his pay in gold; suppose he consumes of foreign goods \$1,000; he sells for gold and buys with gold. He suffers no loss. The \$9,000 he brings home, and in turning it into currency gets the premium on his gold. The farmer sees no loss, for there is none. So we could extend the illustration to all the great products of cotton, grain, &c., that are paid for in gold.

#### PAPER CURRENCY DOES NOT INFLATE UNLESS BURDENSOME.

In connection with this fallacy bullionists tell us that paper money inflates. So it would if it were so abundant as to become depreciated or burdensome to the people. In the days of the *assignats* property rose to fabulous prices, because people preferred other property having real value, and that could be exchanged for something else they might want, and which they could not get with worthless *assignats*; but has it ever been so with our currency? Its trying day was in the panic of last September. Did men throw it away then for anything else they could get, or was it the only one thing they clutched and held?

Prices, it is true, are higher for many things (all those things not cheapened in production by the inventive arts) than they were in 1848, when all the civilized nations in the world held only \$3,000,000,000 of gold. Since that day from the mines of California and Australia we have dug and thrown upon the world \$2,000,000,000, lessening the purchasing power of gold two-fifths, and increasing the price of land and labor to the same ratio. All men have seen from 1848 to the present hour a gradual but certain increase in prices, not only in this country, but throughout the world.

#### GOLD THE GREAT INFLATOR.

Gold has been the great inflationist, and unless we can shut up our mines, pouring a hundred millions annually into the lap of mankind, it will continue the great inflator; and as hateful as has been the word "expansion," it will continue the great expansionist; but even then our intelligence will enable us to use it as the measure of values throughout the world, unless some other Michel Chevalier, alarmed at its increase, writes a book telling mankind that its abundance will demonetize gold, and it falls, as it did after his last book, to a discount of 3 per cent. below silver; for we all remember that this theorist's ideas so put up the price of silver that the bankers and merchants of Europe sold their gold at ninety-seven cents on the dollar to obtain silver with which to pay the Asiatic races for the luxuries Europe had imported.

We have almost ceased to import railroad iron, and under the natural laws of trade the balance is beginning to turn in our favor; gold ought not now command a premium of over 5 per cent., and would not but for the gold-room in New York and the incessant cries of the Chevaliers of our day constantly decrying our currency.

Mr. Speaker, your committee do not propose inflation; we have carefully guarded against it by presenting to the country a self-adjusting machine to regulate a supply at all times commensurate with the growing demands of our commerce, and men who read statistics will not be frightened if we have more banks and more paper money.

Let us glance at the tide of human increase among the nations and draw a lesson of what our necessities must soon be.



In 1854 and 1872 the population of the leading nations stood as follows:

Countries.	1854.	1872.
Great Britain.....	27, 620, 000	32, 000, 000
France.....	35, 750, 000	36, 100, 000
Germany.....	33, 500, 000	39, 400, 000
Austria.....	36, 500, 000	35, 900, 000
Russia (in Europe).....	65, 000, 000	71, 000, 000
United States.....	27, 000, 000	40, 000, 000

Contraction will not prepare the way. The tide of empire flows in upon us! Intelligence of the masses keeps pace with our material progress. The post-office is a tell-tale. The postal revenues returned in 1860 were \$9,218,067; in 1873, \$22,996,747. The number of post-offices in 1860 were 28,498; in 1873, 32,244. Steamboats, railroads, and horses now carry our mails 256,210 miles, and reach all our people; and the nation's most enduring wealth keeps pace with our intelligence.

#### THE FARMING INTEREST.

The value of farms, farming implements, and machinery in the United States, as reported in the census returns, were as follows:

Year.	Farms.	Implements and machinery.
1850.....	\$3, 271, 575, 426	\$151, 587, 638
1860.....	6, 645, 045, 007	246, 118, 141
1870.....	9, 262, 803, 861	336, 878, 429

The total product of farms in 1870 was \$2,447,538,658. No man can blind the farmer by whatever plausible sophistries he may conjure up, for he has as good eyes to see, and he sees every day with as clear a vision, as theoretic writers on finance. He has intellect, and he uses it. He has common sense, and he knows that to handle all the increased productions of an increasing population, all the tools and machinery required by modern husbandry in economizing labor, requires a proportionate increase of money. His very children know that it requires more money to handle much property than to handle a little.

I have many letters daily, from all over our country, asking us to legislate at once and set our industries in motion again, and in every instance urging free banking. I will give you but one letter; I received it but yesterday. It speaks for a mighty class of intelligent workers in our land; and although the writer is a stranger to me, I am proud that his home is in the district I have the honor to represent. There is more philosophy in his few words than was ever dreamed of in the schools. I proudly place this letter side by side with the utterances of many men in high places, those professed teachers of the science of economical philosophy. The farmer is the master teacher:

EAST RODMAN, JEFFERSON COUNTY, NEW YORK,  
March 14, 1874.

DEAR SIR: Permit me to thank you for your article on the currency in the Watertown Reformer of March 12. *We Farmers* are glad to find *our Representative* on *our side* of this question. Although we have but *little to say* in this matter, we *think much*. We know that the indebtedness, both public and private, of this country was contracted when gold was *high*. The contractionists now wish to make us pay in gold, thereby paying more than we received. The *money-lenders* and those



having fixed income are the only classes benefited by contraction. As a *large manufactory* requires a *large stream* of water to set in motion all its spindles and looms, so this country requires *no contracted stream* of currency to set business in motion. We of the producing (and debtor) class want to *pay every* debt we owe. But we *must have currency* to pay *with*, or our business stops and we are bankrupt.

Please excuse this trespass on your time and patience, as it is not meant to be an effort to instruct you, but to inform you that the "common people" will "back you" in your efforts to assist them.

Very truly, yours,

O. D. HILL.

Hon. C. L. MERRIAM.

The farmer, in an intelligent liberality, applies the same rule of relative necessity to all the activities of all our people that he applies to his own experience. He sees that a great and industrious people have been crippled in their progress by statutory limit to our currency, when no legislation can limit the growth of his crops or the increase of the human family. He wants cheap money; and knowing that the price of money, like other property, is governed by demand and supply, he looks with suspicion upon those \$460,000,000 memorialists of Wallstreet petitioning Congress for further contraction, thereby raising the price of money by decreasing its quantity. There are good men's names on that petition; unselfish, generous men. And as many are practical business men, I marvel all the more. Yet, absorbed in their own business of vast magnitude, having no time to study our census returns, the country has outgrown their knowledge.

#### THE RESPONSIBILITY UPON THE REPUBLICAN PARTY.

But the mission of the republican party is not to serve the interests of the few, *but the many*. The millionaires of the country, from their cushioned parlors and glowing fires, can, through the press and a million pamphlets, thick upon our desks as the leaves of the forest, read to us their version of political economy and advertise their varied panaceas for the ills we bear; while, silent and suffering, that great army of labor, with fires extinguished and hunger not afar off, plead to the party in power to set in motion again the now silent wheels of industry. The *people* hold in their hearts a precious memory for the great work it has done in the past; they will hold aloft the flag of the republican party so long as their representatives are pure and true to the interests of the masses. We must sweep away the Sanborns and burn the barnacles of selfishness that steal a festering presence to blister our fair fame. The republican party must rise to an appreciation of the financial necessities of to day, and heeding the calls of our toiling millions, fearlessly lift the nation again to activity and prosperity. Now is our opportunity, and the nation holds us to the responsibility.

Perhaps I weary the House with statistics, but in no other way can a single eye pierce the activities of our land.

The total number of manufacturing establishments in the United States and Territories, in 1860, producing the value of \$500 and upward, was.....

For the year 1870.....	140, 433
Hands employed in 1860.....	252, 148
Hands employed in 1870.....	1, 311, 246
Amount of wages paid in 1860.....	2, 053, 966
Amount of wages paid in 1870.....	\$378, 878, 966
Value of materials used in 1860.....	775, 584, 343
Value of materials used in 1870.....	1, 031, 665, 092
	2, 488, 427, 242

The value of products for the year 1860 was \$1,885,861,676; and in 1870 it was \$4,232,325,442.

The value of live stock in the country, in 1860, was \$1,089,329,915; and in 1870, \$1,525,560,457, an increase of 50 per cent. The amount of wheat produced in 1860, was 173,104,924 bushels; in 1870, 287,745,626 bushels. The amount of Indian corn

in 1860, 838,792,742 bushels; in 1870 it was less—but that was an exceptional year, and should not be taken as a fair showing—it was 760,945,559 bushels; in 1872 it was 1,100,000,000 bushels.

The exports of Indian corn, rye, wheat, &c., in bushels, in 1860, was 8,800,000; in 1870, 39,000,000; and in 1871, 45,000,000. Flour not included.

#### HAS THE WEST CAPITAL TO ESTABLISH BANKS?

We are told that the great West—that future empire of the world—pleads for more currency, but cannot take it if permitted through free banking; that currency cannot be given away by the nation; that they must first by industry earn wealth, and then they can establish banks and get currency. Let us turn to seven States of the West, and contrast their past and present wealth with seven Eastern States, and then judge of their ability to establish banks.

From the census returns I gather the statistics shown in the following tabular statement:

#### *Comparative statement of the past and present wealth of seven Western States and seven Eastern States.*

States.	Population.		Farm valuation.		National-bank circulation.
	1870.	1860.	1870.	1860.	
Illinois .....	2, 539, 891	1, 711, 951	\$920, 506, 346	\$408, 944, 033	\$17, 824, 209
Indiana .....	1, 680, 637	1, 350, 428	654, 804, 189	356, 712, 175	14, 706, 415
Iowa .....	1, 194, 020	674, 913	392, 662, 441	119, 890, 541	5, 674, 385
Michigan .....	1, 184, 059	749, 113	398, 240, 578	160, 836, 495	7, 485, 043
Missouri .....	1, 721, 295	1, 182, 012	392, 908, 047	230, 632, 126	6, 476, 193
Wisconsin .....	1, 054, 670	775, 881	300, 014, 064	131, 117, 164	3, 253, 316
Ohio .....	2, 665, 260	2, 339, 511	1, 054, 465, 226	678, 132, 991	23, 876, 370
Total .....	12, 039, 832	8, 783, 809	4, 113, 600, 891	2, 016, 265, 525	79, 295, 931

Increase population, 3,256,023. Increase farm valuation, \$2,027,335,360.

States.	Population.		Farm valuation.		National-bank circulation.
	1870.	1860.	1870.	1860.	
Connecticut .....	537, 454	460, 147	\$124, 241, 382	\$99, 830, 005	\$17, 994, 648
Maine .....	626, 915	628, 279	102, 961, 954	78, 688, 525	8, 029, 252
Massachusetts .....	1, 457, 351	1, 231, 066	116, 432, 874	123, 255, 948	59, 523, 671
New Hampshire .....	318, 300	326, 073	80, 589, 313	69, 680, 761	4, 624, 525
Vermont .....	330, 558	315, 098	139, 367, 075	94, 289, 045	6, 932, 030
Rhode Island .....	217, 353	174, 620	21, 574, 968	19, 550, 553	13, 385, 840
New York .....	4, 382, 759	3, 880, 735	1, 272, 857, 766	833, 343, 593	60, 976, 006
Total .....	7, 870, 687	7, 016, 018	1, 858, 025, 332	1, 318, 638, 430	171, 465, 972

Increase population, 854,669. Increase farm valuation, \$539,386,902.

To this exhibit I beg to call the special attention of my colleague on the committee from Connecticut, [Mr. HAWLEY,] who rises into sublime and eloquent disgust at the very mention of a greenback except when generously forgetting his antipathies over the asking of us to oil the wheels of his pet centennial with a few millions of them. His State has no such antipathies. She holds tight her \$18,000,000. Illinois in one decade has added to her population 290,486 more than

all the population of Connecticut; she has increased in ten years 827,940, and Connecticut has only 537,454. Missouri, too, has gained in ten years more population than Connecticut has to-day. I hope Connecticut's loyal sons will hold fast her anchorage; drifting toward the prairies she could be lost in a single corn-field; and yet she holds on to this detestable paper currency and will not yield a dollar to the West.

WE MUST ACCEPT THE SITUATION.

Intelligent, fair minds of our country will pause before this marvelous exhibit of the tide of empire, and discover at a glance the justice of the demands of our energetic countrymen of the West for the removal of these bank restrictions that shut them out from banking and currency facilities commensurate with their progress. Here we have seven Western States with 4,169,145 more population than seven Eastern States, and having \$92,170,041 less bank circulation. Surely, if we regard the rights of all our citizens our duty is plain.

We also compare the valuation of real and personal estate of six Western States with six New England States.

States.	1860.	1870.
<b>WESTERN STATES.</b>		
Illinois.....	\$871,860,282	\$2,121,680,579
Indiana.....	528,835,371	1,268,180,543
Iowa.....	247,338,265	717,644,750
Michigan.....	257,163,983	719,208,118
Missouri.....	501,214,398	1,284,922,897
Wisconsin.....	273,671,668	702,307,329
Total.....	2,680,083,967	6,813,944,216
		2,680,083,967
Increase of 6 Western States from 1860 to 1870.....		4,133,860,249
<b>NEW ENGLAND STATES.</b>		
Connecticut.....	\$444,274,114	\$774,631,524
Maine.....	190,211,600	348,155,671
Massachusetts.....	815,237,433	2,132,148,741
New Hampshire.....	156,310,860	252,624,112
Vermont.....	122,477,170	235,349,553
Rhode Island.....	135,337,588	296,965,646
Total.....	1,863,848,765	4,039,875,247
		1,863,848,765
Increase in 6 New England States in last decade.....		2,176,026,485

We also find that six Eastern States have an excess of circulation upon apportionment on population and wealth of \$70,690,046; five Middle States \$9,416,503, while fourteen Southern and Southwestern States have a *deficiency* of circulation on like apportionment of \$51,271,034, and nine Western States a deficiency of \$21,423,811.

Figures like these are more eloquent than words.

The secret of the rapid accumulation of wealth, the progress in civilization, the triumphs of genius, the marvelous advances in human happiness of the men of our day and country, is to be found in the one fact that no other race has so grappled with the common, everyday realities of life, and measured the necessities of all the people by the experiences of individual life.

OUR PANIC AROSE FROM INADEQUATE PAPER MONEY AND NOT FROM WANT OF GOLD.

The panic of last fall—not unlooked for by many—came to blight our progress like a pestilence. Men in their fright rushed, *not for gold*, but for our paper promise to pay. Does any student of the schools of economics venture to tell us that if our vast growth had not absorbed our medium for exchange that willing labor would to-day stand idle on the streets? We can recover from the disasters of a mistaken financial policy through the operations of this bill, the main provisions of which are free banking, practical redemption, and the retention of reserves at home.

#### STAGNATION IN BUSINESS WHEN MONEY IS UNUSED.

Men point us to the fact that in all our large money centers money is accumulating in large quantities, and do so as an evidence that there is in the country currency enough, and much to spare.

This is true of to-day, and always is true after a panic, when the business of the country is in comparative liquidation, caused by a suspension of business. Every man knows that when the industries stand still, there is no use for money; but the nation would become impoverished and its revenues would shrink us to bankruptcy were they so to remain. We cannot safely longer delay putting them in motion, and when in motion again, "as they were before the panic," to use the language of my friend from Illinois, [Mr. WARD,] "there will not be money enough in the country to transact its business any more than there has been at times the last few years; hence the necessity of free banking to avoid another panic."

#### INTERCONVERTIBLE BONDS.

I find there is in the minds of some members of this House a deep-seated impression that it would be wise to destroy our present national banking system, and make the United States Treasury in reality a bank through which the whole country could get interest upon idle capital, and receive when wanted United States notes, *United States notes only*; for this policy proposes the destruction of bank-notes.

I have said that the American people are averse to any radical changes in our financial system, which they have tried, and to launch out into unknown and dangerous seas. We owe a large debt; and it is a maxim of history, the danger of changing front in the heat of battle.

The American people pride themselves upon the maintenance of their *pledged faith*. The people of this country were solicited in times of their country's peril to put \$400,000,000 of their money into national banks. Charters for twenty years were granted by a solemn act of Congress. Banks, those beneficent institutions of society, carrying idle capital to industry, are organized and at work. It is proposed to break the nation's faith and take away their charters.

Mr. BUTLER, of Massachusetts. Will the gentleman yield to me for a moment?

Mr. MERRIAM. Yes, sir.

Mr. BUTLER, of Massachusetts. I believe that in 1839 I was the first to propose in an elaborate speech in this House the three sixty-five bonds. I did not propose, and do not now propose, that they shall break down or disturb the banks, except as their convenience and use as a better medium of circulation shall disturb any other business. I do not propose, and I do not know that anybody who believes with me proposes, to disturb the banking system.

Mr. MERRIAM. I will say to the gentleman from Massachusetts that he is not recognized on this floor as the leader of the three



sixty-five policy, though he was the originator of it. The gentleman from Pennsylvania, [Mr. KELLEY,] who is the recognized leader, proposes to break up the banks.

Mr. BUTLER, of Massachusetts. O, if it applies to him I do not care. [Laughter.]

Mr. MERRIAM. *More*, it proposes a machinery whereby the Government shall become custodians of the idle money of the land; *more*, to pay in the form of interest, for the privilege of keeping it; *more*, it creates the best machinery possible for man to invent for speculators to lock up the currency of the country, and any day bring panic and financial disaster. Congress has made it a crime to use a bank for this purpose; and yet only last winter we tried in vain to punish offenders. It was demonstrated that men will use their own money and lock it up when and where they please. A Wall street sharper, with ten million United States notes, (under this proposed machinery,) would get from the United States Treasury ten million three sixty-five bonds. Returning to New York, any national or State bank or private banker would loan at a high rate of interest ten million upon his ten million three sixty-five bonds, convertible on demand into United States notes. With this process repeated over and over again for ten days, a panic would be inevitable from the locking up of fifty or a hundred millions.

We are told that it would enable commerce to expand and contract the currency as needed. I confess that through it there would be expansion and there would at times be contraction, but *never* at the beck of commerce. Men want stability in finance before capital will leave its places of rest and enter the fields of industry. Take for illustration a city of twenty-five thousand population; the average amount of deposits gathered from the floating capital of the people is \$1,000,000. It is the earnings of the farmer, the mechanic, the laborer. Its use through loans by the banks to citizens at home stimulates enterprise, from which all the people derive employment and wealth. This opportunity of interest in a safe investment, convertible into currency on demand, would take away one-half of the million owned and used at home to be locked up idle in Washington. To assert that this money would flow back when wanted by commerce is to assert an ignorance of the laws of individual necessities. A few patriotic citizens might respond to the wants of other people; but men owning money keep it to use for their own necessities, which may require it to-day, to-morrow, or next year.

The scheme is not new; it has been mooted for years. It is, at first impression, *fascinating* in the extreme, and has many votaries; but weigh it in probable experience, and it is dangerous and wicked. It would create financial anarchy in any country that should adopt it.

Its advocates tell us that the Government pays 5 per cent. on \$400,000,000 of its bonds to banks which it could get in this way at 3.65. Let us see what interest the Government pays our banks. They hold \$400,000,000 bonds, upon which the Government pays, at 5 per cent., \$20,000,000. The banks hold also \$150,000,000 in United States notes as reserves, upon which the Government pays no interest. The bonds are placed with them *at rest*, which is a great advantage for any government, for the market can never be disturbed by their presence, as it can be by bonds held in private hands, or in foreign lands, at the will of the holder. On this \$550,000,000 Government indebtedness, held in repose by the banks, we pay 5 per cent. on the \$400,000,000, which is equal to 3.63 per cent. interest upon the \$550,000,000. Hence the old, tried, safe method underbids the new

experiment by .02 per cent. Then, too, the national banks have paid \$100,000,000 taxes to the Government since their charters were granted. Take this from the interest, and the rate is very low. I do not understand that ~~the~~ three sixty-five gentlemen propose to collect any taxes through their process. The banks themselves do their present business and pay their own expenses. The three sixty-five advocates propose that the Government pay its own expenses of cost of notes, counting, recounting, and do their business for nothing! I trust that the calm judgment of this House will not venture upon this new experiment. I feel kindly toward the advocates of this measure, for their *aims* are patriotic, though their policy would prove disastrous.

I entreat them to compass their aims through free banking and practical redemption. Let us as one man come to the rescue of our prostrate industries and idle willing labor, remembering that if we do not, others will take our places who will; for no power under heaven can chain down the determined energies and activities of the men whose homes are on the soil of this Republic, energies as irrepressible as the air we breathe. Nature, generous and free, toils no more unceasingly than they.

Willing material elements respond to willing hands. Elements of usefulness to mankind, buried through the ages in death-like slumber, leap to life and are harnessed for toil forevermore, through the quick flash of the genius of the workers of our day. Millionaire bullionists may cry "Stop!" "Stop!" but only in vain. Money is not the god of this age; it is only the obedient servant of progress.